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NOTES FOR REMARKS BY

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to the

MID-CONTINENT DIALOGUE ON THE

CHANGING WORLD ECONOMY

MINNEAPOLIS, MINNESOTA

14 September 1979.

The opportunity to join you today in Minneapolis is one that I cherish. I speak as an Albertan who finds great pleasure in gathering with folk from this region. But especially am I pleased to be here in the home of the late Hubert Humphrey who contributed so much to the sense of international community which has prompted this conference.

You meet at the conclusion of the Second Development Decade and at a vital moment in the current attempts to design and set in place a structure capable of bearing the burden of a new international economic order. It is a critical moment in this final quarter of the 20th century. I say that conscious of the danger of lending to any period of time a significance which historians may later fail to detect. Perhaps the difficulty lies not so much in the events as in the nature of time itself.

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"Time", said Carl Sandburg, "is a great teacher."

"Time", said Oliver Wendell Holmes, "is a liar."

Happily, we are not forced to choose between those points of view. Ben Jonson has offered another. "Time", he said, "will not be ours forever."

It will not be ours forever. Nor, while it is here, is it necessarily on the side of any one of us as individuals, or of the human race as a whole. Hubert Humphrey, I am sure, would have agreed with Ben Jonson. So would have Jean Monnet. Monnet was a gentle, persuasive man, rightly honoured as the father of the European Economic Community. He is remembered also as one of the original advocates of the Atlantic alliance during each of World Wars I and II. He was one of the great architects of the 20th century, equally skilled in design and construction.

Commitment and common cause were not idle phrases in Monnet's vocabulary. He wrote scathingly of those willing to pay only lip service to the concept of community. When Monnet died earlier this year, he departed a world filled with irony - one in which there is no shortage of intellectual evidence of the interdependence of peoples, yet one in which there is an abundance of emotional evidence of isolation

and withdrawal. Our measure as a generation, in the eyes of those historians, may well be a reflection of which of those two elements proves paramount.

The task of distinguishing between them is seldom easy, because the choice is never couched in absolute alternatives. The temptation exists always in the face of confusing and conflicting events to withdraw, to contemplate, to seek tranquility. Especially is this so in an age where the multiplicity and frequency of shocking events offends all concepts of harmony and expectation. We would be deceiving ourselves, however, and dangerously so, if we were to assume that withdrawal is an answer, that ours is the first period in history in which discontinuities have prevailed. Winston Churchill is said to have exclaimed that "history is just one damn thing after another." Paul Freund vividly described history as a tension between heritage and heresy. It follows that when the tension exceeds the strength of the social fabric there is a rupture. As happened in Iran.

In any rupture, the task of identifying the elements and diagnosing the causes becomes critical lest they prove communicable and destructive of other societies. The Iranian evidence is far from assembled, yet the importance of the case to the international community is such that the examination cannot long be delayed. Especially is the

tragedy of Iran important to those of us dedicated to the cause of development, for it may prove, in development terms, to be a classic case of faulty design and mismanagement.

Heritage and heresy are far removed from one another in the Iranian social fabric. One element of heritage is the Bakhtiari, a nomadic group that has not altered its pattern of life since the retreat of the last ice age some 12,000 years ago; a group that carries with it all its possessions as it crosses six perilous mountain ranges annually in its outward quest for fresh pastures, then crosses the same six ranges again on return, packing and un-packing each day of the year. Of them, Bronowski writes: "There is no room for innovation, because there is not time, on the move, between evening and morning, coming and going all their lives, to develop a new device or a new thought - not even a new tune. The only habits that survive are the old habits. The only ambition of the son is to be like the father."

At the other end of the Iranian fabric, 12,000 years more modern, heresy takes the form of such devices as the F-14 and the Phoenix missile system. The strain imposed by the rapid introduction of this heresy into a society influenced so heavily by ancient heritage proved unbearable. Rupture and anarchy were the immediate consequences. Confusion and oscillating tendencies will continue for some time.

If the primary stress factor in this rupture was the introduction of developmental programs, what was the nature of the error? For two decades it has been widely accepted that the absence of development is destabilizing, that the disparity between rich and poor across national lines or within them could not be tolerated indefinitely. Paul VI had so implied when he stated some years ago that "the new name for peace is development". Willy Brandt just a few months ago identified development as "the most important social problem for the balance of this century." Was, then, the situation in Iran an anomalous one? Was the loss of stability occasioned by the presence of development? Let me attempt a preliminary analysis.

There were four major ingredients which contributed to the widespread unrest in Iran, cumulatively more pervasive and influential than hostility towards the Shah's repressive and autocratic methods and measures. Each of the four was development-related.

- (i) Development emphasis was placed on industrialization, much of it of a military nature, to the almost total neglect of agriculture.
- (ii) The benefits of the developmental process fell unevenly among the several social groups in Iran, increasing rather than decreasing economic disparity.

(iii) There was inadequate preparation for the social impact of rapid economic change.

(iv) The presence in large numbers of foreigners, many of them seemingly in influential positions, gave to Iranians the impression that their country had passed into the control of outsiders.

The cumulative effect of these factors took the form of immense popular disaffection. Fueled with this volatile mixture, religion proved to be an available vehicle. The Shah was the obvious focus as the pendulum swung back toward heritage even at the immediate expense of many legal and economic reforms.

If my analysis bears up under close scrutiny, there are many lessons to be observed by all participants in the North-South dialogue, by all those in any way involved with international development. And as is so often the case, time is a critical element.

The Iranian crisis was not an auspicious beginning for 1979. This, after all, has been the year of several scheduled encounters between old and new, north and south, heritage and heresy. The echo of revolution has been heard in conference halls around the world, troubling some delegations, inspiring others, and contributing

confusion whenever it is interpreted simplistically as is always the temptation. This year in Geneva the Multilateral Trade Negotiations, under the aegis of the GATT, concluded finally the Tokyo Round with all of the implications of tariff and non-tariff measures that experts are discussing here this week. This year, too, there took place in Manila UNCTAD V, the United Nations Conference on Trade and Development. In Havana there concluded five days ago the summit meeting of the non-aligned countries. It followed by only a month the biennial meeting, this year in Lusaka, of the Commonwealth Heads of Government. It in turn has been followed by the Zimbabwe constitutional conference now underway in London. Among U.N. conferences, there was held in Vienna in August the Conference on Science and Technology for Development. In Ottawa last week the World Food Council gathered.

In each of these meetings was the attention of governments and experts drawn in one form or another to the associated problems of economic change and development. Especially in the Vienna Conference was the focus upon the benefits as well as the dangers of technological change. Because many of the issues under examination there were precisely those that gave rise to the creation of IDRC, the Centre was deeply involved throughout the preparatory period.

The International Development Research Centre is Canadian in origin and in financial support, but international in attitude, in

structure, and in operation. It attempts to respond to the identified need for research of special interest to the less developed countries. As recently as 15 years ago, 98 per cent of all research and development outside the socialist world was performed in the industrialized countries, with the remaining 2 per cent in the LDCs.

Equally disheartening was the fact that a good deal of what research was undertaken in the developing countries was either inefficient - as in such esoteric fields as cancer research because of the unavailability of adequate resources and equipment, irrelevant - because it was a duplication of the kind of research engaged in by the industrialized countries in order to meet their specific problems, or even downright detrimental to their interests - as in the case of some LDC research into synthetic fibres. Moreover, a dearth of contact among scientists meant that little inter-disciplinary cooperation existed and that few projects were pursued in all their relevant aspects.

The need for a greatly expanded effort in developmental research was obvious if the developing countries were to gain some competence to fix their own goals and to solve their own problems. One of the first responses to this need, and in many ways still the most innovative, was the creation of IDRC.

Centre policy is set by a Board of Governors which is composed of both Canadians and non-Canadians. Ten of the 21 members are drawn from outside Canada, many of them from developing countries. Further, the IDRC statute requires that at least 11 members must have some developmental or other expert experience. The result is a board of great dynamism in an institution of extraordinary flexibility; one that has demonstrated its ability to attract the services of some of the finest research professionals in the world and one that has demonstrated equally its ability to respond rapidly and responsibly to the needs of the developing regions.

IDRC is distinct not only in what it is but as well in how it goes about its task. Its concern is not simply to offer research support to the LDCs, but to do so in ways that increase the competence of researchers in those countries. We do this by spending our funds in large measure in the developing regions themselves, not in Canada. We finance research programs in most instances chosen by scientists from those regions and operated by them. IDRC does not itself conduct research; rather it assists in the identification process, in the choice and refinement of methodology, in the monitoring of progress, and in the evaluation of results.

The range of these research projects and programs is of a practical, applied nature and focusses primarily on the rural poor.

We encourage activity in the fields of agriculture and health sciences. We assist the inter-disciplinary refinement and application of new technology and the necessary community adjustment to that technology through work in the social sciences. We help often-isolated scientists without access to libraries through the creation of computer systems for basic developmental data and through the dissemination of bibliographic and other information materials, many of them prepared within the Centre.

We do all this ourselves and in collaboration with other agencies, notably the Canadian International Development Agency, the World Bank, such U.N. bodies as FAO, WHO, and UNDP, and the Ford and Rockefeller Foundations which latter pioneered so many developmental research initiatives. We attempt, in short, to act in support of development but in such a fashion that we will not be a party to the kind of developmental errors that occurred in Iran.

Happily, the awareness of that kind of error is spreading. In the preparations for the Vienna conference the focus was much more on technology as an instrument of social change, than it was on technology per se. The question which must be put is "technology for what?", not "what technology?". Emphasis must be laid upon the need to know why, before one acquires the know how.

In exercises of this sort, it would be wrong to assume, or to suggest, that the knowledge deficiency lies only on the south side of the dialogue. The issues that are being considered at this important Minneapolis conference, and at its counterparts in other places, illustrate clearly how much remains to be learned and understood in the north as well. In the critical area of food policy, even the World Food Council was unable at its recent session to bridge to the satisfaction of all the several varying points of view. That unfortunate fact is partially a reflection of the fact that the most basic need of mankind is and always has been food. Indeed the initial step taken by human beings to create civilization 12 millenia ago was intimately connected with agriculture.

Man stopped wandering and began to settle because of what Bronowski terms "the biological revolution": the retreat of the polar ice cap and the consequent ability of man to take charge of his environment at the level of living things - plants and animals - by cultivation and domestication. One of the places where human and natural events first brought about agriculture was the plain of Jericho. Ten thousand years ago, wheat was not the plant we know today, but only one of many wild grasses. By some genetic accident it crossed with a natural goat grass to form a fertile hybrid, combining the fourteen chromosomes of each to produce the new strain with twenty-eight chromosomes.

Another genetic accident then occurred when this strain, called Emmer, crossed with another natural grass to produce a new hybrid of forty-two chromosomes, and this is bread wheat. Yet even stranger than the mutation is the fact that this wheat cannot self-propagate because the ear is too tight to break up, and the grains are too heavy to fly in the wind.

In Bronowski's words, "Suddenly, man and the plant have come together. Man has a wheat that he lives by, but the wheat also thinks that man was made for it because only so can it be propagated. The bread wheats can only multiply with help; man must harvest the ears and scatter the seeds; the life of each, man and the plant, depends on the other. It is a true fairy tale of genetics"

In the intervening thousands of years, this and other fairy tales have been pursued by countless generations of farmers world-wide. Extraordinary advances have been made. An immense body of knowledge has been accumulated concerning plant breeding, soil science, cropping techniques, irrigation and harvesting systems, and more. Yet this conference is taking place this week against the grotesque backdrop of awareness that hundreds of millions of persons subsist today on inadequate nourishment. That fact is an explosive international issue.

In low income countries, agriculture typically employs half to two-thirds of the population, produces on the order of half the gross national product, provides well over one-third the consumption goods (much more of course for the poor) and is geographically pervasive. Agriculture is the dominant force shaping poverty, development strategy and the composition of political constituencies. From that dominance its importance to international relations follows.

Agricultural productivity is, of course, only one facet of food security but it is a critical ingredient in the whole. Increases in production there must be, and these must be accompanied of course by distribution and consumption patterns and techniques which will ensure that the food reaches those in need of it. Adequate economic incentives however, are often a missing needed element in the mix. Thus is called into question the entire economic structure of the developing countries because of the arithmetic relationship between food and poverty. Yet the bottom line of any such restructuring remains the same - the need for massive increases in food production.

Let me illustrate. It is now demonstrably evident that the poor spend the bulk of any increment to their income on food. In India, for example, those persons in the lowest 20 per cent of the income scale spend 60 per cent of any income increment on food grains, and

85 to 90 per cent on food and agricultural commodities in total. In sharp contrast, those persons in the top 10 per cent of the income scale spend only 5 per cent of any income increment on grain and only 35 per cent on all food and agricultural commodities.

These differences in consumption patterns have profound consequences for any scheme to redistribute income whether by taxation or otherwise. One dollar of income removed from the rich will reduce demand for grain by only 5 cents. Given to the poor, however, that same dollar will increase the demand for grain by 60 cents. Thus a policy of balanced income redistribution which shifts a dollar from rich to poor will raise food demand by the poor twelve times as much as it lowers food demand by the rich. According to studies done by the International Food Policy Research Institute, this pattern holds broadly true throughout the Third World. What this means is that any increase in per capita income of the poor in developing countries will require an immense increase in food production.

This justifies the attention being given by IDRC and others to the strengthening of international agricultural research. The need for such research in developing countries led to the establishment in 1971 of the Consultative Group for International Agricultural Research and the

increase in funding levels from \$12 million then to more than \$100 million at present. Much more than this sum would be required to distribute among developing countries adequate research resources. Two thirds of all LDC scientists are now located in only seven countries. Even though these countries do represent 52 per cent of developing country population, the uneven distribution emphasizes the weakness of so many national research systems. Indeed IFPRI estimates that the establishment of only one modern and equipped agricultural research institution in each developing country would increase the annual funding level to more than \$1 billion.

Clearly is there a need for an increase in dedicated resources as is there a need for greater unity in effort as Jean Monnet argued so intensively throughout his life. In considering these issues, we should not, in the developed world, assume that this kind of resource transfer is a one-way street, that north-south relations are played according to the rules of a zero-sum game in which each point gained by one participant is a point lost to the other. In fact evidence now reveals clearly that development is a mutually beneficial operation in which all win, or in default of which all lose. The trade figures of the most vigorous national economies are an indication of the important role played by developing country markets. According to the World Bank, in 1977 43 per cent of all Japanese merchandise exports were sold in the

developing countries, 37 per cent of U.S. merchandise exports that year went to the same markets, as did 21 per cent of German merchandise exports. LDC imports of merchandise from the industrialized countries in the 1970s grew at a pace more than 50 per cent faster than merchandise trade among the industrialized countries.

In 1976 the industrialized countries enjoyed a \$70 billion favourable balance of trade with the LDCs.

It was this realization that the well-being of all of us depends on rising standards of living in the LDCs that prompted President Carter to state recently: "Only by acting together (with the developing countries) can we expand trade and investment in order to create more jobs, to curb inflation, and to raise the standard of living of our peoples.

"The industrial nations ... cannot by themselves bring about world economic recovery. Strong growth and expansion in the developing countries are essential

"For the rest of this century, the greatest potential for growth is in the developing world."

More recently, Secretary of State Vance stated: "As we survey and address questions of the evolving international economic order, we do not do so on some abstract basis. We do so as a matter of economic self-interest and, for some sectors of our economy, of survival."

The Canadian Secretary of State for External Affairs, Flora MacDonald, has stated the case this way, when speaking to the OECD: "Interdependence of our economies with those of the developing world is not a matter of choice. It is a fact of life. No country, no bloc of countries, can solve its economic problems in isolation."

Secretary Vance has also said that "progress towards a more equitable and healthy new international economic order" will turn on the ability of both north and south to tackle concrete development problems which meet human needs. As a Canadian, and particularly as a Canadian involved with IDRC, am I delighted that one of the announced areas of focus of the United States Administration in this pursuit is science and technology and that one of the mechanisms for applying it takes the form of a new Institute for Scientific and Technological Cooperation. IDRC looks forward with enthusiasm to working closely with ISTC. I hope that the new institute will flourish in its first years as did IDRC under the inspired leadership of David Hopper who is in attendance here today.

A new international economic order is just what the title says. It must be orderly for the benefit and protection of all participants. It must be truly international and not only in appearance. It must be something other than what has been in place. This is necessary, as Secretary Vance stated, as a matter of self-interest.

There cannot be any doubt, for example, that if developing countries are to continue buying our products, and especially to buy more of them, they must find the means of paying for them. They will not do so until they become more productive themselves, until their people become healthy, well-fed, educated individuals - engines of production, and engines of demand. It is in our interest, then, as well as those of the people in these countries, that their standard of living increases and that their access to our markets expands. Trade, as the Phoenicians understood 2500 years ago, is the original two-way street.

Much more than trade will suffer, however, if the development process fails. The inequality of wealth between nations and within nations will continue to produce upheavals of the sort that has paralyzed Iran and that is creating such tension in so many other countries. And there is a host of other benefits that will become vulnerable, each of them adequate reason for enhanced developmental

effort and structural re-design. Among them are an increase in the likelihood of sound environmental practices and a decrease in the likelihood of great outbreaks of infectious diseases, assurance of equitable access to needed but unevenly distributed resources, immeasurable additions to cultural activity and accomplishment, contributions to basic humanitarian principles of fairness, justice and dignity.

We in Canada and the United States live in very privileged circumstances, and in the result, argue and cavil over very selfish issues. It is difficult if not impossible for us to relate to starvation and malnourishment and endemic poverty. We tend, as is natural, to push into the future these images and to delay our response to them. Albert Camus had an answer for that. In his novel "The Fall", he wrote: "Don't wait for the Last Judgment. It takes place every day." Indeed it is taking place every day for untold numbers of persons in developing countries, a large proportion of them infants and young children. That knowledge is shared by them, by us, and by our common Creator. Added to it must be the knowledge that our failure to contribute to the remedy cannot any longer adequately be explained either economically or morally.

One can treat the New International Economic Order as an emotive slogan, as many have done, and derive considerable mileage from

it whether in support or in opposition. Conversely, one can employ the phrase as a rallying cry around which people of goodwill congregate in order to pursue the task of building a better world for all of us, as you are doing at this conference this week. I congratulate you for your interest and encourage you to master the stamina required for the long journey ahead.

The 1978 Nobel Prize for Literature was awarded to the American novelist Isaac Singer, who writes entirely in Yiddish. In his acceptance speech in Stockholm, Mr. Singer explained his choice of Yiddish. It is, he said, "the language of us all, the idiom of frightened and hopeful humanity."

In the world of today with its cacophony of change and discontinuity, its spectre of revolution and despair, humanity has every reason to be frightened. Equally, I suggest, with an understanding of the human reasons which give rise to those changes, of the individual aspirations with which we can all identify, and for which we can all work, humanity is justified in being hopeful.

A hopefulness based on withdrawal is illusory, however. That would be truly frightening. In 1979 the danger comes not from a world that is too challenging. It comes from our unwillingness to acknowledge the wisdom of men like Jean Monnet. To him should go the last word. "We cannot stop", he wrote, "When the whole world around us is on the move."